



Report and Accounts

FOR THE YEAR ENDED

31st MARCH

1962

REFERENCE WORK
DO NOT REMOVE FROM
THE CORPORATE LIBRARY

BOOTS PURE DRUG COMPANY LIMITED

BOOTS PURE DRUG COMPANY LIMITED

**Notice of Annual Ordinary
General Meeting**

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 12th day of July, 1962, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a Dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead.

Dated this 12th day of June, 1962.

By Order of the Board,

H. T. MILNES,

Secretary.

Only the holders of 6% 'A' Preference shares or Ordinary shares, or their Proxies, are entitled to attend the Meeting.

BOOTS PURE DRUG COMPANY LIMITED

Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1962

CONTENTS

3	Directors and Officers
4	Directors' Report
5	Consolidated Profit and Loss Account
6	Balance Sheet: Boots Pure Drug Co. Ltd.
8	Consolidated Balance Sheet: Boots Pure Drug Co. Ltd. & Subsidiary Companies
10	Notes on the Accounts
11	Auditors' Report
12	Ten Year Record
14	Chairman's Statement



Following a two-year rebuilding and extension programme, Boots branch at the junction of Union and Argyle Street, Glasgow, is now the largest in the company.

Formal reopening of the branch was carried out on April 4th, 1962 by the Right Hon. the Lord Provost of Glasgow, Mrs. Jean Roberts, J.P., in the presence of Mr. Willoughby R. Norman, Chairman, and the Board of Directors.



BOOTS PURE DRUG COMPANY LIMITED

Directors and Officers

Chairman	W. R. NORMAN
Deputy Chairman	THE RT. HON. THE EARL OF SELBORNE, P.C., C.H.
Managing Director	F. A. COCKFIELD
Deputy Managing Director	K. D. WILLIAMSON
	THE RT. HON. LORD COLERAINE, P.C.
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, M.P.S.
	G. I. HOBDAV
	SIR JAMES PITMAN, K.B.E., M.P.
Secretary	H. T. MILNES
Registered Office	37 STATION STREET, NOTTINGHAM
Bankers	NATIONAL PROVINCIAL BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO. Chartered Accountants, Birmingham

BOOTS PURE DRUG COMPANY LIMITED

Report of the Directors

The Directors submit their Seventy-fourth Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1962.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £9,270,516 compared with £8,826,093 for the previous year and after tax amount to £4,340,204 as against £4,263,303. The Net Profits of Boots Pure Drug Company Limited amount to £3,466,473 compared with £3,396,660.

The Directors recommend the payment of a Final Dividend of 8%, less Tax, to Ordinary Shareholders on the register on 28th May, 1962. This together with the Interim Dividend already paid makes a total of 12%, less Tax, for the year.

The details of Dividends paid and recommended, together with Appropriations made by the Directors, are shown in the Profit and Loss and Appropriation Account.

Sir James Pitman, K.B.E., M.P., retires by rotation and offers himself for re-election. The Rt. Hon. The Earl of Selborne, P.C., C.H., who has attained the age of 70 years, retires and offers himself for re-election.

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

By Order of the Board
H. T. MILNES, Secretary

12th June, 1962

Consolidated Profit and Loss and Appropriation Account

FOR THE YEAR ENDED 31st MARCH 1962

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March, 1962 and of the Overseas Subsidiaries for the year ended 31st December, 1961)

1961			1962	
£	£		£	£
9,646,004		PROFITS of Boots Pure Drug Company Limited and Profits (<i>less</i> Losses) of Subsidiaries before charging Tax and the Profit Earning Bonus for Staff.. .. .		10,131,712
<u>819,911</u>		<i>Deduct</i> Profit Earning Bonus for Staff		<u>861,196</u>
8,826,093		CONSOLIDATED PROFITS BEFORE TAX		9,270,516
		<i>Deduct</i> Provision for Tax on Profits of the year—		
	109,252	Overseas Tax	140,878	
	1,092,764	United Kingdom Profits Tax	1,351,761	
	3,367,677	United Kingdom Income Tax	3,424,828	
	<u>4,569,693</u>		<u>4,917,467</u>	
	6,903	<i>Add</i> Deferred Tax provided	12,845	
<u>4,562,790</u>			<u>4,930,312</u>	
		NET PROFITS OF THE GROUP:		
	866,643	Profits retained by Subsidiaries	873,731	
	3,396,660	Profits of Boots Pure Drug Company Limited	3,466,473	
<u>4,263,303</u>			<u>4,340,204</u>	
		THE AMOUNT AVAILABLE IS DEALT WITH AS FOLLOWS:		
		Dividends (<i>less</i> Tax) for the year—		
	59,259	On Preference and Preferred Ordinary Shares (already paid) ..	59,259	
		On Ordinary Shares—		
	627,200	Interim of 4% already paid	627,200	
	1,254,400	Final Dividend proposed of 8% making a total of 12% ..	1,254,400	
<u>1,940,859</u>			<u>1,940,859</u>	
		Profits retained in the Group and included in Revenue Reserves—		
	866,643	Subsidiaries	873,731	
	1,455,801	Boots Pure Drug Company Limited	1,525,614	
<u>2,322,444</u>			<u>2,399,345</u>	
<u>£4,263,303</u>			<u>£4,340,204</u>	

The notes on pages 10 and 11 form part of the Annual Accounts

1961		CAPITAL AND LIABILITIES		1962	
£	£			£	£
	1,400,000	Capital Authorised:			
	38,600,000	Preference and Preferred Ordinary Shares		1,400,000	
40,000,000	<u>38,600,000</u>	Ordinary Shares of 5/- each		<u>38,600,000</u>	40,000,000
		Capital Issued and Fully Paid:			
	10,000	A Preference Shares, £1 each 7%.. .. .		10,000	
	25,000	B Preference Shares, £100 each 6%		25,000	
	100,000	C Preference Shares, £1 each 6%.. .. .		100,000	
	120,000	A Preferred Ordinary Shares, £1 each 7%		120,000	
	245,000	B Preferred Ordinary Shares, £1 each 7%		245,000	
	400,000	C Preferred Ordinary Shares, £1 each 7%		400,000	
	500,000	D Preferred Ordinary Shares, £1 each 7%		500,000	
	25,600,000	Ordinary Shares, 5/- each		<u>25,600,000</u>	
27,000,000	<u>25,600,000</u>				27,000,000
	629,848	Capital Reserve			720,549
	7,074,127	Revenue Reserve			8,599,741
	2,065,866	6% Loan Stock 1978-83			2,065,866
		Provisions:			
	600,000	Pensions		600,000	
	2,520,000	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1963		2,780,000	
	396,365	Deferred Tax in respect of Capital Expenditure		<u>382,642</u>	
3,516,365	<u>396,365</u>				3,762,642
	8,800,748	Current Liabilities:			
	5,200	Trade Creditors, Apportionments and Tax		8,977,437	
	1,254,400	Amounts due to Subsidiaries		5,200	
10,060,348	<u>1,254,400</u>	Final Dividend recommended on Ordinary Shares		<u>1,254,400</u>	
<u>£50,346,554</u>					10,237,037
					<u>£52,385,835</u>

1961		CAPITAL AND LIABILITIES		1962	
£	£			£	£
	1,400,000	Authorised Capital of Boots Pure Drug Company Limited:			
	<u>38,600,000</u>	Preference and Preferred Ordinary Shares	1,400,000		
40,000,000		Ordinary Shares	<u>38,600,000</u>		<u>40,000,000</u>
		Issued and Fully Paid Capital of Boots Pure Drug Company Limited:			
	1,400,000	Preference and Preferred Ordinary Shares	1,400,000		
27,000,000	<u>25,600,000</u>	Ordinary Shares	<u>25,600,000</u>		<u>27,000,000</u>
		Capital Reserves			1,890,320
1,718,803		Revenue Reserves			15,303,947
12,904,602		6% Loan Stock 1978-83			2,065,866
		Provisions:			
	1,020,000	Pensions	1,020,000		
	3,443,000	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1963	3,495,000		
5,142,937	<u>679,937</u>	Deferred Tax in respect of Capital Expenditure	<u>692,782</u>		<u>5,207,782</u>
		Current Liabilities:			
	10,792,805	Trade Creditors, Apportionments and Tax	11,080,961		
	23,141	Amount due to Bankers	54,718		
	1,254,400	Final Dividend on Boots Pure Drug Company Limited Ordinary Shares	<u>1,254,400</u>		<u>12,390,079</u>
12,070,346					<u>12,390,079</u>
<u>£60,902,554</u>					<u>£63,857,994</u>

NOTES ON THE ACCOUNTS

These notes form part of the Annual Accounts

1. (a) The Group Profits have been arrived at after taking credit for Income from Trade Investments £1,364 (£1,413) and after charging the following expenses:

1961			1962	
£	£		£	£
	414,576	Depreciation of Freehold Properties	422,127	
	240,896	Depreciation and Amortisation of Leasehold Properties	255,295	
	1,104,593	Depreciation of Fittings and Plant	1,161,981	
1,760,065	<u> </u>		<u> </u>	1,839,403
123,952		Loan Stock Interest		123,952
10,021		Remuneration of Auditors		11,138
		Companies' Payments to Pension Funds:		
631,744		Ordinary Contributions		692,407
125,863		Annual Payments for past service		130,284

- (b) The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

12,000	Directors' Fees	10,500
222,060	Other emoluments, including participation in profits..	181,590
	Pensions and Superannuation Gratuities paid to Past	
1,000	Directors	16,000
<u>£235,060</u>		<u>£208,090</u>

2. Outstanding commitments in respect of capital expenditure are estimated at £770,000 for Boots Pure Drug Company Limited and £1,167,000 for the Subsidiaries, making a total of £1,937,000 for the Group.
3. The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1962.
4. The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.
5. The overdraft of an Overseas Subsidiary amounting to £54,718 at 31st December, 1961, was secured on the stock-in-trade of the Subsidiary.

6. Movements of the Reserves since 31st March, 1961, are as follows:

	Boots Pure Drug Co. Ltd. £	Subsidiaries £	Consolidated £
REVENUE RESERVES:			
At 31st March, 1961	7,074,127	5,830,475	12,904,602
<i>Add:</i>			
Undistributed profits of the year ended 31st March, 1962	1,525,614	873,731	2,399,345
At 31st March, 1962	<u>£8,599,741</u>	<u>£6,704,206</u>	<u>£15,303,947</u>
 CAPITAL RESERVES:			
At 31st March, 1961	629,848	1,088,955	1,718,803
<i>Add:</i>			
Surplus on sales of properties, and in respect of War Damage Claims	90,701	80,816	171,517
At 31st March, 1962	<u>£720,549</u>	<u>£1,169,771</u>	<u>£1,890,320</u>

REPORT OF THE AUDITORS

TO THE MEMBERS OF BOOTS PURE DRUG COMPANY LIMITED

We have audited the foregoing Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss and Appropriation Account. The accounts of certain Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on the Accounts, comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1962, and a true and fair view of the state of affairs and of the profit of the Group.

BIRMINGHAM & LONDON,
8th June, 1962.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

This table expresses in figures the progress made by Boots at home and overseas in the last ten years

The figures of sales represent sales to persons outside the Group: sales by Overseas Subsidiaries are included but sales by the Home Companies to the Overseas Companies are excluded.

To give a true comparison, the profit figures have been adjusted for all years to the basis now employed. Thus, Loan Stock interest has been deducted for the years 1959 onwards, while for earlier years the dividends on the Preference Shares of the Retail Subsidiaries (now replaced by the Loan Stock) have been deducted. Similarly, freehold depreciation has been deducted for all years.

No deduction has been made for Loan Stock or for provisions in computing capital employed. Similarly, in arriving at profit as a percentage of capital employed, Loan Stock interest has not been deducted nor (for earlier years) the corresponding dividends on the Preference Shares of the Retail Subsidiaries. The figures for 1958 and subsequent years reflect the results of the property revaluation, which revealed a surplus of £13,425,018.

The nominal ordinary capital reflects the scrip issues in the years to 31st March, 1956 (one for one), 1959 (one for four) and 1961 (one for one).

World Sales .. .. .	..	..	..	..	..
Profits before Tax .. .. .	..	..	..	..	..
Profits after Tax .. .. .	..	..	..	..	..
Net Dividends	Preference .. .. .	..	..	..	..
	Ordinary .. .. .	..	..	..	..
Net Undistributed Profits .. .. .	..	..	..	..	..
Depreciation charged (including Freehold Depreciation) .. .. .	..	..	..	..	..
Capital Expenditure (Gross) .. .. .	..	..	..	..	..
Capital Employed .. .. .	..	..	..	..	..
Profits as % of Capital employed .. .. .	..	..	..	..	..
Ordinary Capital .. .. .	..	..	..	..	..
Ordinary Dividends % .. .. .	..	..	..	..	..
Equivalent % allowing for Scrip Issues .. .. .	..	..	..	..	..
Number of Staff in United Kingdom .. .. .	..	..	..	..	..
Amount of Profit Earning Bonus .. .. .	..	..	..	..	..
Number of Branches .. .. .	..	..	..	..	..

The Ten Year Record

1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
53,866	56,115	60,837	67,848	73,692	80,302	83,858	90,615	99,690	106,624
2,629	2,824	3,909	4,079	4,433	5,057	4,998	7,561	8,826	9,271
991	1,003	1,711	1,820	1,841 136*	2,095	2,442	3,826	4,263	4,340
51	53	53	56	56	56	56	59	59	59
550	634	797	824	942	1,060	1,226	1,646	1,882	1,882
363	296	843	928	962	968	1,150	2,118	2,322	2,399
836	911	959	1,014	1,086	1,369	1,468	1,593	1,760	1,839
1,393	1,291	1,697	2,781	2,439	2,454	2,759	3,047	3,410	4,373
22,800	23,313	25,260	26,352	27,819	41,900	42,944	46,220	48,832	51,468
12.1%	12.6%	16%	15.9%	16.4%	12.4%	11.9%	16.6%	18.3%	18.3%
5,120	5,120	5,120	10,240	10,240	10,240	12,800	12,800	25,600	25,600
20%	22.5%	27.5%	14%	16%	18%	16%	21%	12%	12%
4%	4.5%	5.5%	5.6%	6.4%	7.2%	8%	10.5%	12%	12%
34,239	34,712	36,045	37,016	37,154	39,039	39,345	39,344	39,606	40,411
		222	244	297	415	464	702	820	861
1,312	1,313	1,313	1,320	1,318	1,310	1,313	1,307	1,305	1,298

*Profits attributable to previous years



Rebuilding and refitting of branches large and small continues steadily.

Above: New accommodation for the chemist counter at Hyde.

Below: At Kettering the new branch offers a range of fancy and gift merchandise as well as the usual chemist departments.



Statement by the Chairman

MR. WILLOUGHBY R. NORMAN

Survey and results

As shareholders will see from the Directors' report on page 4 profits before tax increased by £444,423, or 5 per cent, to £9,270,516, and after tax, the rates of which increased again this year, by £76,901 to £4,340,204.

On these results the Directors are recommending a final dividend of 8 per cent, making a total of 12 per cent for the year as previously.

The year under review has been particularly difficult because of factors over which we have had little control. Retail trading was very good until July when the Chancellor of the Exchequer in his 'little budget' increased purchase tax and intensified the credit squeeze, and from then on right until the end of our financial year at March 31st anticipated weekly increases were harder to achieve, business being squeezed between higher prices and restricted purchasing power. The Board of Trade index for retail sales showed an increase of 3.5 per cent for the year ended 31st March 1962. Against this your company's home retail sales increased by 7.7 per cent, and somewhere between 4 and 5 hundred million customers were served in our shops.

On the National Health Service dispensing side, which shareholders will recall accounted for 14 per cent of our turnover last year, we suffered two serious blows. First, just before the start of the year the Government increased the prescription charge to the patient from one to two shillings, which has resulted in a decrease of nearly 10 per cent in the numbers we have dispensed this year. Second, as from November 1st, although the dispensing fee was increased, the percentage on-cost was reduced on a sliding scale from 25 per cent to 12½ per cent according to the number of prescriptions dispensed by each chemist shop. This is a heavy burden on big dispensing businesses which are being penalised according to their efficiency by having a lower percentage on-cost, and nearly all branches in the Boots organisation have been affected in varying degrees. Because of this lower rate of profitability we have to re-examine the dispensing service in our day and night shops, and have already decided to eliminate the night service in at least one of the ten.

Wholesale sales to customers at home and abroad were down, but sales by the overseas subsidiaries were well up, making the total sales of the group to outside customers £106,624,000, the first time to exceed one hundred million pounds.

Profit margins, although lower than last year, were satisfactory except on the National Health Service dispensing. New techniques and more efficient methods produced many worthwhile economies throughout the business so that the good expense position of last year was further improved.

I am glad to be able to report that the level of stocks, which had been causing us some anxiety, has fallen by £300,000, and with favourable movements in debtors and creditors the cash position is very strong. Depreciation charged is £1,839,403 and with retained profits of £2,399,345 the cash flow rises to nearly £4¼ million.

Gross capital expenditure during the year has increased by nearly £1 million which reflects the expansion on both the manufacturing and retail sides of the business.

On pages 12 and 13 there are a number of figures which may be of interest to shareholders set out so that the progress of the company may be easily followed.

Administration

A great deal of thought and energy is being devoted to the efficiency of administration, and we are studying, designing and installing various new administrative systems.

Last year I reported that we had installed an Emidec computer and that it was operating successfully on a wide range of merchandise accounting procedures. A great deal more work is now being handled by this equipment, and during the year a second major electronic installation built by De La Rue Bull was completed, and is operating on our wholesale and international sales, and undertaking chemical costing.

In this way we are building up a centralised information and statistical service designed both to reduce our operating costs and to improve management efficiency.

Staff

I must as always pay tribute to the excellence of our staff who play such a vital part in the prosperity of the company.

Our aim is to provide secure and satisfying employment for an efficient and well-trained body of people whose intention it is to make their career with the company. We place great value on long service and this is reflected in many of the provisions we make for our staff, and particularly in the terms of our Profit Earning Bonus scheme. The bonus paid to the staff this year amounts to £861,196 as compared with £819,911 last year. The bonus is a percentage of the total profits and it is designed to bring home to every member how important it is to safeguard and improve our level of profits.

All our branch managers are registered pharmacists and they have therefore an intimate knowledge of the professional side of our business. We supplement this by training in business methods and management and this training continues in various ways throughout the manager's career.

We place great emphasis too on the training of our other retail staff. Modern methods of merchandising, and particularly the movement towards self-selection, demand more not less experience and knowledge, for it is our policy to ensure that members of the staff are available and well able to give advice and help where needed. We have recently established a number of provincial training schools which will supplement the work already done by the training centres in Nottingham and London.

As our branches are modernised to provide more attractive and convenient shopping facilities for the public, we also improve conditions behind the scenes for the staff.

On the wholesaling and manufacturing side of our business in Nottingham and Beeston it is a condition of employment that all employees up to age 18 attend either Boots College or a Technical College in our time and at full pay for one day per week.

The company has also always taken an active interest in Industrial Medicine. We have four full-time doctors looking after the health of our staff.

Interest does not cease at retirement. Over the past few years we have been able to improve the pensions paid to most of our older retired people, particularly those with small pensions. We have now been able to make a major improvement in the General Pension Fund, largely because of the success of our investment policy and this has enabled us to apply a sum of approximately £1 $\frac{3}{4}$ million to improve the pensions of members of the General Fund who have retired, or the prospective pensions of those who are still in service. The increases in pension will reflect length of service, and in the case of the longer service people are substantial in amount.

We think that all these things are important for the morale and efficiency of the 40,000 people who make up our staff, and on whose skill and devotion the company depends. Its strength is the strength of the people who compose it. On behalf of the Board I thank them all, both at home and overseas, for the part they play.

Manufacturing

In the field of pharmaceutical manufacture our factories at Beeston and Airdrie have continued to show all round improvement in productivity. Considerable study and effort have been applied to the development of continuous manufacturing processes as distinct from batch production methods, and we are convinced that further economies lie ahead in extending these applications.

Special attention has been paid during the past year to increasing the efficiency of the chemical manufacturing operations and providing capacity to enable us to compete in this highly competitive market.

The rebuilding of the Nottingham chemical works has commenced and excellent progress is being made. This phase of the reconstruction which will extend over several years will cost £1 $\frac{1}{2}$ million. The first production unit which is due to come into operation at the end of this year should enable us to take advantage quickly of the opportunities afforded by new processes stemming from our research and development. In the pharmaceutical chemical field new products afford significant improvements to health, and once these products have been fully evaluated it is essential to get into production as quickly as possible.

Planning of further units is at an advanced stage and it is anticipated that construction of a second manufacturing unit and warehouse will commence during the coming year.

On the Beeston site other major projects have been undertaken. These include an entirely new plant for the manufacturing of selective weedkillers. This plant, which came into operation in January, increases the available output for our present range of selective weedkillers, including our own discovery Iso-Cornox, and also provides capacity for new products.

Progress has been made in rebuilding and modernising the potassium permanganate plant with the help of the Ketjen Organisation of the Netherlands, who are associated with us in this project. The present output is being maintained whilst the new plant, which will be capable of much greater output, is being installed, and it is expected to be fully operative by the end of 1962.

Your company is also a substantial manufacturer, both pharmaceutical and chemical, of products for other companies, whose names are household words.

Buying

A large proportion of our retail sales comes from merchandise which we buy from other manufacturers, importers or agents, and we buy a wide range of raw materials to supply our manufacturing plants. Many of these suppliers have served us well for a generation, and some indeed from the earliest days of the

company. In many cases manufacturers co-operate with our buyers in providing us with an exclusive range of lines. The search for new merchandise takes our buyers further and further afield, and with the hoped-for prospect of the U.K. joining the European Common Market there will be a greater availability of merchandise with the prospect of wider choice and improving values.

We value most highly the happy relationships we enjoy with our suppliers and I would like to take this opportunity of expressing our grateful thanks.

Shop modernisation

Further progress has been made with our retail modernisation programme and work on 67 shops was completed during the year. The most notable was the final completion of our branch at the corner of Argyle and Union Street, Glasgow, which is now the largest in the organisation. Other large branches completed were Kirkcaldy, Kettering, Taunton, Bolton, Bradford and Bridgend, and two examples of the complete refit of very small and congested London premises are in Waterloo Station and Poultry. Some of these shops are illustrated here.

We are planning to spend on retail modernisation and extensions £2 $\frac{3}{4}$ million this year and the efficient handling of a programme of this size reflects great credit on the skill and industry of our Shop Planners, Estates Department, Architects, Shop Fitters and many others.

New shops will be opened at Hounslow, Airdrie and Altrincham, and large scale modernisations completed at Burton-on-Trent, Rhyl, Newcastle-on-Tyne, Southend, Hull, and Llanelly. Alterations of a major nature have commenced at Richmond, Crewe, Cardiff, Plymouth, Sheffield and York, and at many other smaller branches throughout the country. In all, this year we expect to complete work on 79 branches and start work on a further 40.

Retail

The past year has been one in which sales on the chemist side, in which we also include toilet, surgical, photographic, and farms and gardens merchandise, expanded more rapidly than those in what we call the Number 2 departments such as leather, fancy, silver, stationery, glassware and book. Because of the increasing size of our branches it is sometimes thought that this Number 2 merchandise is taking a predominant position, but that is not the case. We remain chemists first and foremost, and always will, and the chemist side, as opposed to the Number 2 side, accounts for over 80 per cent of retail sales.

There is one matter of particular interest to which I would like to make reference. This company has always been a strong supporter of resale price maintenance because we firmly believe it to be in the interest of the consumer, the retailer and the manufacturer. Uniform prices are not only welcomed by the customer but they make for economy and efficiency in distribution and in the long run result in lower costs. We as a company have always believed that prices should be kept as low as possible consistent with quality and service. There is severe competition between nationally advertised brands and this does in fact ensure that the prices at which they are sold are strictly competitive. We do not believe that the abandonment of uniform retail prices in this field will either make for greater efficiency in distribution or ultimately be to the benefit of the customer.

A chemist particularly is concerned with quality above everything, and a reasonable margin of profit is vital in order to support it and the standards of training and service which are necessary in the professional and ethical calling of pharmacy. Such margins are more important than ever now that National Health Service dispensing has been deprived of much of its profitability. If resale price maintenance should disappear we would safeguard our policy and maintain

standards for our customers by increased development of own-label branding so as to have retailer identification. Our advertising slogans of 'Boots for Value' and 'Boots for Service' will be faithfully maintained.

Overseas

I stated earlier that our sales to overseas customers were down on last year, but insofar as these sales are to our own subsidiary companies it is understandable, owing to the progressive and inevitable increase in local manufacture. The eight overseas subsidiaries increased their sales by 17 per cent, and their net profit before tax by 25 per cent during the calendar year. The biggest is Boots Pure Drug Co. India where sales exceeded £1 million for the first time, followed closely by Boots Pure Drug Co. Australia. Both companies operate a wholesale business and have manufacturing facilities, those in India being on an increasing scale.

The Managing Director with the head of the International Division visited both companies during the year, and with them and the Director of Research I visited the Indian and Pakistan companies. Good progress is being made on the construction of the new insulin factory in Bombay. A condition for the granting of the licence to manufacture crystalline insulin, and we shall be the sole manufacturer, is that 40 per cent of the equity of the Indian company is made available for Indian investment, so when arrangements have been completed this company will cease to be a wholly owned subsidiary.

In addition to our own subsidiaries we are represented overseas by agents in all parts of the world; may I thank them for the whole-hearted way they have continued to support us.

Shareholders

Shareholders might be interested to know who owns the company. There are 75,800 holders of the 102,400,000 5/- Ordinary Shares, of which 73,000 are individuals with an average holding of 1,005 shares, and 2,800 are corporate or nominee holders with an average holding of 10,433. Taken over both classes, the average holding is thus 1,351 Ordinary Shares, and 72 per cent of the equity is held by individuals.

Of the £3,465,866 of Loan Stock, Preference and Preferred Shares, 89 per cent is held by individuals.

I hope that all shareholders will support their company by buying their requirements from a Boots shop, where at standard prices throughout the U.K. they will find unsurpassed quality, value and range.

Summary and prospects

The Boots business is complex and far ranging. The advent of the Common Market will sharpen competition, but will liberalise trade. Any abolition of resale price maintenance will create a new and difficult situation for retailers. I hope however that I have said enough to show that we have far reaching plans to take advantage of every opportunity which presents and to safeguard ourselves against any vicissitudes which might arise, and that our resources are efficiently deployed to meet the challenge of the future.

I would like to pay tribute to the Managing Director, whom we congratulate on his appointment to the National Economic Development Council, and to my colleagues on the Board and the Executive Management Committee for their work during a difficult year.

Looking ahead short term, the economic climate of the country is improving and if the growth of the economy is resumed I feel confident that your company will benefit in full measure.



This new branch in Lewisham High Street was built in stages, in order to maintain service to customers during alterations.

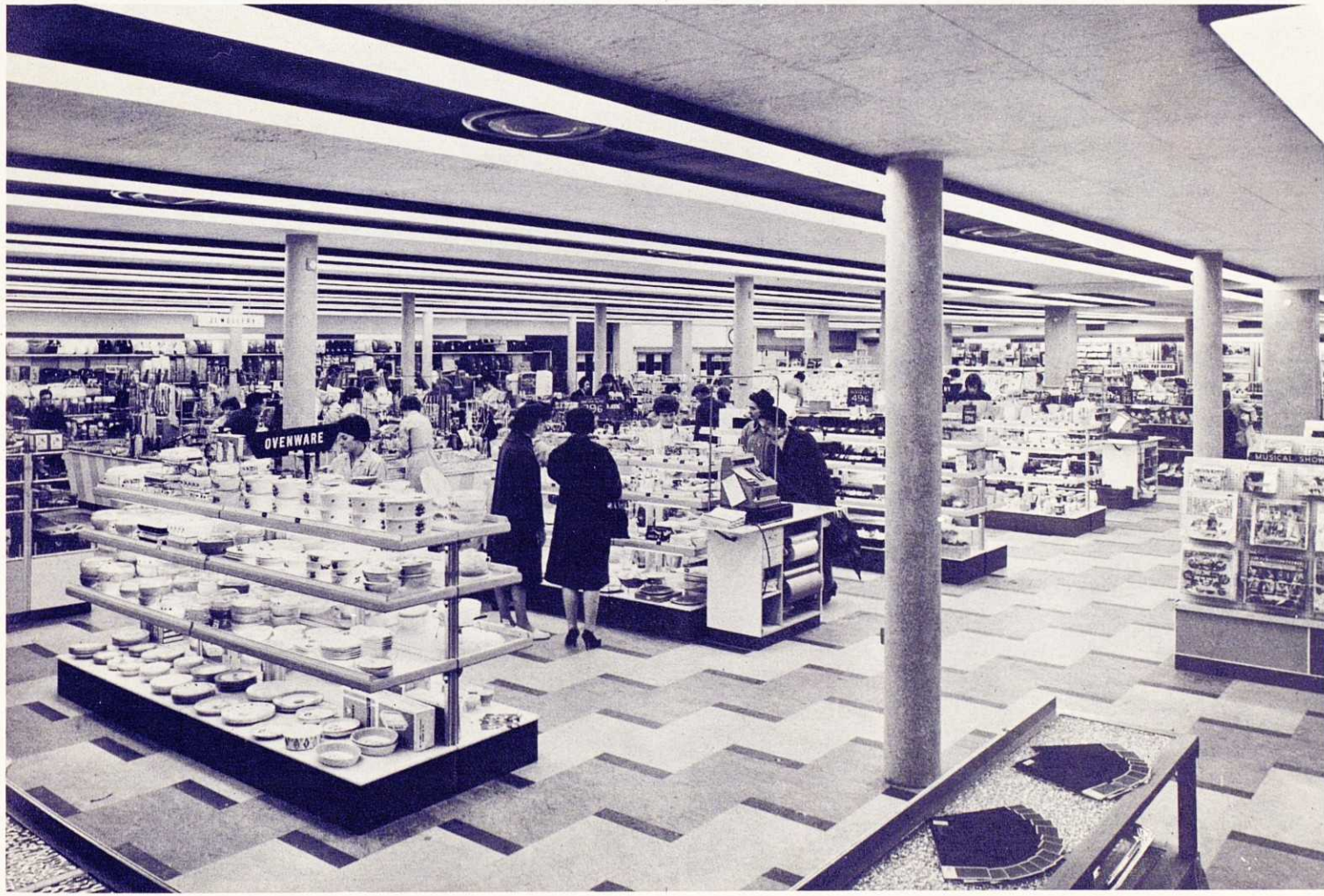
Impressions of the new branches at Richmond (left) and Crewe (below) which are included in the modernisation programme for the current year.

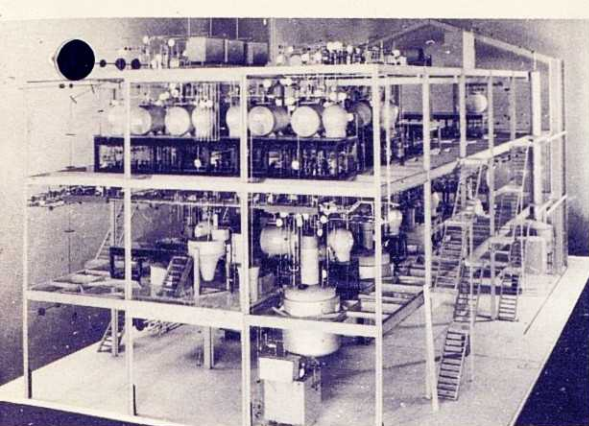




The staircase at the new Bolton branch gives customers an easy and attractive access to all floors.

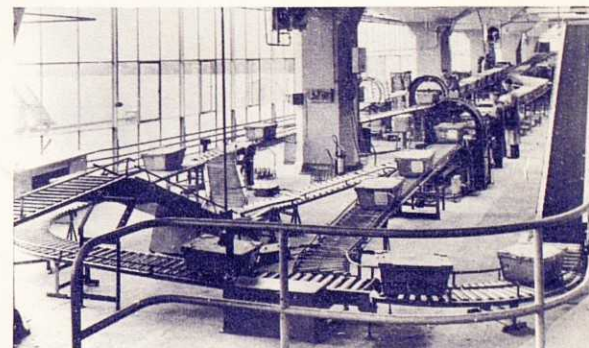
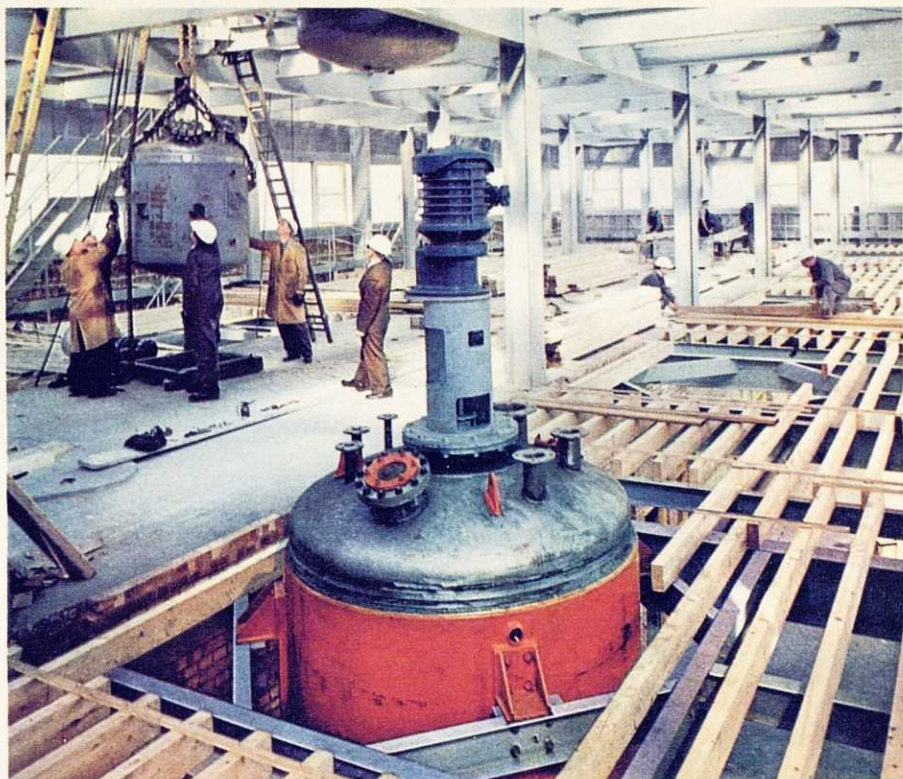
Below: Part of the first floor of the rebuilt Glasgow branch which now becomes Boots largest shop.





Installation of the first vessels and equipment took place in the new all-purpose plant of the Chemical Department in April this year. The plant will begin operating in the autumn.

The model pictured above gives an indication of the complexity of the processes.



Popularly known as 'Clapham Junction', a system of conveyors at the Beeston Pharmaceutical Factory where packed cases are sealed, and automatically sorted by an electronic eye.

The use of 'gravity-fed' racking, illustrated (left) in the Heywood Warehouse is another development taking place in our warehousing system.



A picture taken at a party given for retired staff of the Manchester area. Many such parties are held each year, maintaining contact between former employees and the firm they have served so well.



The cafeteria part of the new head office canteen, showing the 85 ft. photo-mural of Birkdale Common, Yorkshire.

An impression of the Insulin Factory now being built in Bombay for our Indian Company. The factory will provide the whole of India's Insulin requirements.



Proud Geoff of Westdrums. This Aberdeen Angus bull was bred on one of Boots Scottish farms and, after winning a first prize at the Perth Pedigree Show, 1962, was sold to the Argentine for 8,000 guineas.

Well known to millions of travellers, the branch at Waterloo Station has been rebuilt. The reconstruction programme was completed in only six weeks. The shop is open from 8 a.m. to 6 p.m. and serves some 2,000 customers a day, two-thirds of them during the morning and evening rush hours.





BOOTS PURE DRUG COMPANY LIMITED